SANTA BARBARA
HISTORICAL MUSEUM

FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2026

SANTA BARBARA HISTORICAL MUSEUM

June 30, 2026

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A PROFESSIONAL CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Santa Barbara Historical Museum
Santa Barbara, California

Opinion

We have audited the accompanying financial statements of Santa Barbara Historical Museum (a non-profit organization) (the Museum), which comprise the statement of financial position as of June 30, 2026, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Santa Barbara Historical Museum as of June 30, 2026, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Santa Barbara Historical Museum and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Santa Barbara Historical Museum's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Santa Barbara Historical Museum's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Santa Barbara Historical Museum's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Museum's June 30, 2025, financial statements, and we expressed an unmodified audit opinion on those statements in our report dated November 13, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2025, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Santa Barbara, California

October 15, 2026

SANTA BARBARA HISTORICAL MUSEUM

STATEMENT OF FINANCIAL POSITION
June 30, 2026

ASSETS

	Without Donor Restrictions	With Donor Restrictions	2026 Total	(Memo) 2025 Total
CURRENT ASSETS				
Cash and cash equivalents	$ 22,755	$ 65,965	$ 88,720	$ 151,405
Other receivables	22,750	-	22,750	28,059
Prepaid expenses and deposits	55,785	-	55,785	88,962
Inventory	78,154	-	78,154	77,910
Unemployment reserve account	21,524	-	21,524	19,156
Total Current Assets	200,968	65,965	266,933	365,492
OTHER ASSETS				
Investments	3,786,287	953,651	4,739,938	3,441,207
Interests in charitable trusts	-	278,945	278,945	1,105,601
Interests in perpetual trusts	-	2,607,477	2,607,477	2,349,685
Property and equipment, net	2,218,697	-	2,218,697	2,345,115
Historic land and buildings	119,197	-	119,197	119,197
Total Other Assets	6,124,181	3,840,073	9,964,254	9,360,805
TOTAL ASSETS	**$ 6,325,149**	**$ 3,906,038**	**$ 10,231,187**	**$ 9,726,297**

LIABILITIES AND NET ASSETS

LIABILITIES				
Accounts payable	$ 99,086	$ -	$ 99,086	$ 121,677
Accrued liabilities	71,775	-	71,775	68,295
Deferred income	63,275	-	63,275	-
TOTAL LIABILITIES	234,136	-	234,136	189,972
NET ASSETS				
Without Donor Restrictions				
Undesignated	2,190,206	-	2,190,206	2,526,002
Designated by the Board	3,900,807	-	3,900,807	2,526,514
Total Without Donor Restrictions	6,091,013	-	6,091,013	5,052,516
With Donor Restrictions	-	3,906,038	3,906,038	4,483,809
Total Net Assets	6,091,013	3,906,038	9,997,051	9,536,325
TOTAL LIABILITIES AND NET ASSETS	**$ 6,325,149**	**$ 3,906,038**	**$ 10,231,187**	**$ 9,726,297**

The accompanying notes are an integral part of these financial statements.

SANTA BARBARA HISTORICAL MUSEUM

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2026

	Without Donor Restrictions	With Donor Restrictions	2026 Total	(Memo) 2025 Total
INCOME				
Support:				
Grants	$ 243,061	$ 46,439	$ 289,500	$ 450,885
Contributions	84,449	14,125	98,574	109,697
Bequests	258,935	-	258,935	-
Special events (net of expenses of $95,189 and $58,102)	(20,689)	-	(20,689)	63,258
Membership	60,600	-	60,600	57,615
Investment income	74,162	-	74,162	81,149
Trust income	59,479	-	59,479	61,726
Rental income	323,266	-	323,266	429,405
Museum store sales	24,157	-	24,157	25,546
Public programs	24,371	-	24,371	16,366
Library fees	3,422	-	3,422	7,620
Miscellaneous income	234	-	234	107
Change in value of charitable trusts	-	60,068	60,068	201,247
Total Support	1,135,447	120,632	1,256,079	1,504,621
Net Assets Released From Restrictions				
Released due to capital expenditure	27,175	(27,175)	-	-
Released due to other expenditure	100,642	(100,642)	-	-
Released due to charitable trust	828,378	(828,378)	-	-
Total Income	2,091,642	(835,563)	1,256,079	1,504,621
EXPENSES				
Program Expenses				
Curatorial, library, collection management and exhibitions	541,994	-	541,994	608,200
Facilities and Historical Structures	465,212	-	465,212	582,557
Public programs, education and outreach	366,825	-	366,825	441,892
Total Program Expenses	1,374,031	-	1,374,031	1,632,649
Supporting Services				
Management and general	219,295	-	219,295	226,365
Membership	11,757	-	11,757	16,505
Fundraising	87,681	-	87,681	85,255
Total Supporting Services	318,733	-	318,733	328,125
Total Expenses	1,692,764	-	1,692,764	1,960,774
Excess of support over/(under) expenses before other changes in net assets	398,878	(835,563)	(436,685)	(456,153)
Other Changes in Net Assets				
Change in unrealized gain on investments	639,619	-	639,619	193,586
Change in value of perpetual trusts	-	257,792	257,792	136,176
CHANGE IN NET ASSETS	**1,038,497**	**(577,771)**	**460,726**	**(126,391)**
NET ASSETS, BEGINNING OF YEAR	5,052,516	4,483,809	9,536,325	9,662,716
NET ASSETS, END OF YEAR	**$ 6,091,013**	**$ 3,906,038**	**$ 9,997,051**	**$ 9,536,325**

The accompanying notes are an integral part of these financial statements.

SANTA BARBARA HISTORICAL MUSEUM

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2026

	Program Services				Support Services				
EXPENSES	Curatorial, Library, Collection Management & Exhibitions	Facilities & Historical Structures	Public Programs, Education & Outreach	Total Program	Management & General	Membership	Fundraising	2026 Total	(Memo) 2025 Total
Salaries	$ 362,215	$ 120,124	$ 132,547	$ 614,886	$ 32,686	$ 3,369	$ 34,370	$ 685,311	$ 677,639
Personnel - benefits and taxes	98,340	32,613	35,986	166,939	8,874	915	9,331	186,059	163,998
Advertising and public relations	-	-	-	-	16,600	-	-	16,600	3,241
Computer support and software	727	447	3,671	4,845	3,216	2,970	447	11,478	14,474
Depreciation expense	-	135,858	-	135,858	19,979	-	3,996	159,833	238,517
Development costs	-	-	-	-	-	-	31,516	31,516	30,073
Museum store costs of sales	-	-	10,864	10,864	-	-	-	10,864	16,145
Insurance	6,911	35,113	-	42,024	17,971	496	496	60,987	56,589
Occupancy costs	23,774	44,424	14,440	82,638	15,644	3,874	3,874	106,030	99,467
Outside consultants	-	-	-	-	-	-	3,185	3,185	6,439
Legal and professional fees	-	-	21,299	21,299	63,635	-	-	84,934	78,677
Public programs	40,821	-	137,773	178,594	-	-	-	178,594	367,598
Repairs and maintenance	8,474	95,635	10,245	114,354	9,370	-	-	123,724	172,411
Special event costs	-	-	-	-	-	-	95,189	95,189	58,102
Supplies	732	133	-	865	30,259	133	466	31,723	31,475
Travel and mileage	-	865	-	865	1,061	-	-	1,926	4,031
Total Expenses by Function	**$ 541,994**	**$ 465,212**	**$ 366,825**	**$ 1,374,031**	**$ 219,295**	**$ 11,757**	**$ 182,870**	**$ 1,787,953**	**$ 2,018,876**
Less expenses included with revenues on the statement of activities									
Cost of direct benefit to donors	-	-	-	-	-	-	(95,189)	(95,189)	(58,102)
2026 TOTAL EXPENSES	**$ 541,994**	**$ 465,212**	**$ 366,825**	**$ 1,374,031**	**$ 219,295**	**$ 11,757**	**$ 87,681**	**$ 1,692,764**	
2025 TOTAL EXPENSES (Memo)	$ 608,200	$ 582,557	$ 441,892	$ 1,632,649	$ 226,365	$ 16,505	$ 85,255		$ 1,960,774

The accompanying notes are an integral part of these financial statements.

SANTA BARBARA HISTORICAL MUSEUM

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2026

	2026	(Memo) 2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 460,726	$ (126,391)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	159,833	238,516
Realized gain on investments	(12,019)	(6,875)
Unrealized gain on investments	(639,619)	(193,586)
Change in value of perpetual trusts	(257,792)	(136,175)
Change in value of charitable trusts	(60,068)	(198,247)
(Increase) decrease in:		
Accounts and pledges receivable	5,309	(19,679)
Prepaid expenses and other assets	33,177	(17,653)
Unemployment reserve account	(2,368)	(2,403)
Inventory	(244)	-
Increase (decrease) in:		
Accounts payable	(22,591)	88,582
Accrued liabilities	3,480	(14,121)
Deferred income	63,275	-
NET CASH USED BY OPERATING ACTIVITIES	(268,901)	(388,032)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(33,415)	(68,898)
Purchase of investments	(723,994)	(44,959)
Proceeds from sale of securities	963,625	265,620
NET CASH PROVIDED BY INVESTING ACTIVITIES	206,216	151,763
NET CHANGE IN CASH AND CASH EQUIVALENTS	(62,685)	(236,269)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	151,405	387,674
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 88,720	$ 151,405

The accompanying notes are an integral part of these financial statements.

Note 1 – ORGANIZATIONAL INFORMATION

Founded in 1932 and incorporated in 1943, the Santa Barbara Historical Museum is a California nonprofit dedicated to deepening appreciation and understanding of the region's history. Contributions and grants from Santa Barbara County residents and foundations are an important source of support, complemented by revenue from the Museum's event venue.

The Museum collects, preserves, interprets, and exhibits the region's material culture in all its diversity. Through exhibitions, lectures, tours, classroom programs, research, and publications, it advances its mission "to inspire meaningful connections to Santa Barbara history." We believe that understanding the past can guide and inspire the choices we make for the future.

Visitors of all ages, from Santa Barbara and around the world, explore the Museum's permanent exhibitions. The Story of Santa Barbara traces the region's history from the Chumash to the present day, while the Edward Borein Gallery examines the life and legacy of one of the American West's most highly regarded artists.

The Museum also presented eight educational exhibitions: Don Louis Perceval: His Vision of the West; 1925: Santa Barbara Remembers the Earthquake; Project Fiesta! Santa Barbara News-Press Edition; Ludmilla Pilat Welch: Serene Santa Barbara; Pop-Up History! Celebrating Hispanic Heritage Month; Pop-Up History! Images from the Gledhill Library; The Gift: New Additions to Our Story; and Stars, Stripes & Santa Barbara: Independence Day Memories from Our Santa Barbara News-Press Archive.

Staff expanded access to the collections through in-person and virtual programs, held indoors and outdoors. Lectures, walking tours, film screenings, pop-up exhibitions, discussions, and cultural performances explored early California life, architecture, art, agriculture, film, western culture, Hispanic heritage, conservation, and other subjects. Online outreach and local television brought these stories to audiences beyond the Museum's campus.

Researchers used the Gledhill Library's materials both remotely and in person to investigate genealogy, architectural history, and significant events in the community's past. The Museum also connected with history enthusiasts through social media and its e-newsletter.

In 2025, the Museum acquired the Santa Barbara News-Press archive, a landmark addition comprising more than one million photographs and other materials. During the past year, staff began work to preserve the collection and make it accessible to the community.

Beyond the downtown campus, visitors encountered Santa Barbara history through the Museum's permanent satellite exhibitions at the Hill-Carrillo Adobe and the historic terminal of the Santa Barbara Airport, as well as through the Healing Arts Program at Santa Barbara Cottage Hospital.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Museum have been prepared on the accrual basis of accounting following accounting principles generally accepted in the United States of America (GAAP). The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Description of Net Assets

The Museum reports information regarding its financial position and activities in two classes of net assets - with donor restrictions and without donor restrictions - based on the existence or absence of donor-imposed restrictions.

Without Donor Restrictions

Net assets without donor restrictions represent net assets that are not subject to donor-imposed time or use restrictions. Net assets without donor restrictions include board designated funds.

With Donor Restrictions

Net assets with donor restrictions represent net assets that are subject to donor-imposed time or use restrictions. Net assets with donor restrictions generally include pledges and bequests receivable and planned gifts. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as "Net assets released from restrictions". Earnings on donor restricted endowment funds that have not yet been appropriated are also classified as net assets with donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the report period. Actual results could differ from those estimates.

Significant estimates reflected in the Museum's financial statements include:

- Net present value of income interests in trusts as determined by using the fair market value of the investments held in the trusts
- Allocation of expenses by function
- Fair market value of donated collections
- The present value of the estimated future value of assets held by charitable remainder trusts

Other estimates used in preparing these financial statements include:

- Collectability of receivables
- Lives and method of depreciating fixed assets
- Allocation of expenses by function

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash, Cash Equivalents and Restricted Cash

For the purpose of the statement of cash flows, cash and cash equivalents consists of cash on hand, cash in bank and cash held in money market funds, which are neither held for nor restricted by donors for long-term purposes. Cash and highly liquid financial instruments held in investment accounts are excluded from this definition.

Allowance for Credit Losses

The Museum has previously adopted FASB ASC 326, measuring credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. Financial assets held by the Museum that are subject to the guidance in FASB ASC 326 were trade accounts receivable. The impact of the adoption was not considered material to the financial statements and primarily resulted in the preceding disclosure only. Accounts receivable as of July 1, 2025, were $28,059. Accounts receivable as of June 30, 2026, were $22,750.

Receivables

Unconditional pledges to give are reported as assets and revenues or gains in the period in which the pledge is received. Conditional promises to give are recognized when the condition on which the promise depends is substantially met.

Pledges and bequests receivable are carried at their estimated collectible amount. Management periodically evaluates these receivables and records an allowance for any amounts estimated to be uncollectible. The evaluation is based upon a review of historical collections, current economic conditions, and an assessment of subsequent conditions. Management has determined these receivables are considered 100% collectible; therefore, no provision for uncollectible receivables is needed for the year ended June 30, 2026.

Investments and Draw

The Museum records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Annually, the Board budgets an amount of investment income for operating activities. This amount is based upon the average balance of the previous twelve calendar quarters ending March 31st in the fiscal year of the market value of invested assets managed by the Museum as stated in its Spending Policy.

Inventory

Inventory consists of books and other related materials available for sale to members and visitors in the Museum's store. Inventory is valued at the lower of cost on a first-in, first-out basis or net realizable value.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Land, Buildings and Equipment

Land, buildings and equipment are carried at cost or, if donated, at fair market value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 5 to 40 years.

The Museum capitalizes all expenditures on land, buildings and equipment that are greater than $2,500 and have a useful life in excess of one year.

The Museum has determined that no long-lived assets were impaired at June 30, 2026.

Historic Land and Buildings

Purchased historic buildings are carried at cost. Donated land and buildings are recorded at the fair market value on the date of donation, if the value is determinable, plus restoration costs.

Historic buildings are considered inexhaustible and, therefore, are not being depreciated due to their historical value.

Inexhaustible Collections

Artifacts were considered inexhaustible and, therefore, were not being depreciated due to their historical value. The Museum's artifacts are held for exhibition to the public, for educational purposes or for research, with the intent of being protected, cared for and preserved. Any proceeds from the deaccessioning of collection items will be reinvested in the acquisition of or the protection, care, and preservation of other artifacts in accordance with a policy of the Museum's Board of Trustees.

Leases

The Museum has previously adopted FASB ASC 842, Leases. For the year ended June 30, 2026, the Museum had no material noncancellable operating or finance leases.

Further, the Museum elected a short-term lease exception policy, permitting the Museum to not apply the recognition requirements of this standard to short-term leases (i.e., leases with terms of twelve months or less) and an accounting policy to account for lease and non-lease components as a single component for certain classes of assets.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Revenue Recognition

Recognition of Donor Restrictions - All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or designated by the Board of Trustees. Donor-restricted support is recorded as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified as net assets without restrictions.

Exchange Transactions – Revenue is recognized when earned. Specifically, store sales are recognized at the time of purchase. Membership dues, which are nonrefundable, are comprised of an exchange element based on the benefits received, and a contribution element for the difference. Membership dues are recognized when received.

Contributed Services and Materials - A significant number of volunteers have contributed their services to the Museum. In accordance with accounting standards only those services provided by professionals have been valued and recorded in these financial statements. During the year ended June 30, 2026, board and committee members contributed approximately 1,850 hours and docents and general volunteers contributed approximately 850 hours. The Financial statements do not reflect the value of these contributed services because they do not meet the prescribed recognition criteria.

The Museum records, at fair market value, contributions of materials and professional services on the date of donation in accordance with accounting standards. The Museum did not receive any significant contributions of such goods and services during the year ended June 30, 2026.

Functional Expenses

The costs of providing program services and supporting services are presented on a functional basis. Accordingly, the Museum has allocated certain costs among the programs and services, generally based on direct expenditures incurred. Any expenditures not directly chargeable, such as administration salaries, information technology, and depreciation, are allocated on the basis of their estimated benefit to the Museum. These natural expenses attributable to more than one function are allocated using a variety of cost allocation techniques. Allocations of general expenditures relating to the buildings are generally allocated based upon square footage; allocations of general expenditures related to staffing are allocated based upon payroll.

Financial Instruments and Credit Risk

The Museum manages deposit concentration risk by placing cash and money market accounts with financial institutions that Management believes to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Museum has not experienced any losses in any of these accounts. Credit risk associated with promises to give and bequest receivables is considered by Management to be limited due to high historical collection rates and because they are from donors supportive of the Museum. Investments' performances are monitored by the Museum's finance committee as well as the by the Board of Trustees. Although the fair value of investments is subject to fluctuation on a year-to-year basis, Management and the finance committee believe that the investment policies and guidelines are prudent for the long-term welfare of the organization.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Museum is a nonprofit corporation exempt from Federal income taxes under Internal Revenue Code section 501 (c) (3) and State income taxes under Revenue and Taxation Code Section 23701 (d), therefore no amounts for income taxes are reflected in the accompanying financial statements. The Museum is not a private foundation for income tax purposes. The Museum is not aware of any transactions that would affect its tax-exempt status.

The Museum evaluates uncertain tax positions, whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of June 30, 2026, the Museum had no uncertain tax positions requiring accrual.

The Museum files tax returns in California and U.S. federal jurisdictions. The Museum is no longer subject to U.S. federal and state tax examinations by tax authorities for years before 2022 and 2021, respectively.

Reclassifications

Certain balances reported for the year ended June 30, 2025, have been reclassified to make the reporting comparable to the balances reported for the year ended June 30, 2026.

Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in accordance with U.S. GAAP. Accordingly, such information should be read in conjunction with the Museum's financial statements for the year ended June 30, 2025, from which the summarized information was derived.

Subsequent Events

The Museum has evaluated subsequent events through October 15, 2026, the date which the financial statements were available to be issued.

Note 3 – INVESTMENTS

Investments are stated at market value, based primarily on quoted market prices for those or similar instruments. The cost and market value of investments at June 30, 2026, are as follows:

Description	Cost	Market	Unrealized Gain (Loss)
Money Market	$ 283,433	$ 283,433	$ -
Mutual Funds	1,169,463	1,146,778	(22,685)
Exchange Traded Funds			
Equities	204,552	341,160	136,608
International	397,422	550,228	152,806
Common Stocks – Domestic	1,577,042	2,373,864	796,822
Real Estate	35,833	44,475	8,642
Total	$ 3,667,745	$ 4,739,938	$ 1,072,193

The following summarizes the net change in unrealized gain on investments:

	Cost	Market Value	Unrealized Gain
Balance at end of the year	$ 3,667,745	$ 4,739,938	$ 1,072,193
Balance at beginning of the year	3,008,633	3,441,207	432,574
Change in unrealized gain (loss)			$ 639,619

The following summarizes the investment return included in the Statement of Activities and Changes in Net Assets for the year ended June 30, 2026:

Investment and dividend income	$ 102,526
Unrealized gain on value of securities	639,619
Realized gain on value of securities	12,019
Investment fees	(40,383)
Net Investment Return	$ 713,781

Note 4 – INTEREST IN CHARITABLE TRUSTS

Charitable trust agreements naming the Museum as an irrevocable beneficiary are recorded on the books of the Museum. Since the Museum is not the trustee for any of the charitable trusts in which it is named as the remainderman, the trusts are recorded as a contribution and an asset equivalent to the present value of the trust assets and estimated future income net of the present value of estimated future payouts to the income beneficiaries.

Charitable trust agreements are classified as temporarily restricted net assets unless the donor has permanently restricted the Museum's use of its interest in the asset.

Note 4 – INTEREST IN CHARITABLE TRUSTS (continued)

Charitable Remainder Trusts

Any change in subsequent years in the present value of the estimated future benefits to be received when the charitable remainder trust assets will be distributed is recorded in the statement of activities as a change in the value of charitable remainder trusts

The assets are recorded at approximate fair market value based upon the most recent tax return filed by the trust which is available to the Museum or current values provided by the settlor to the Museum. The present value of the estimated future value of assets to be received by the Museum is calculated using the IRS annuity tables and a discount rate based on the Museum's historic rate of return currently estimated at 5%. The estimated value of the charitable remainder trust at June 30, 2026, is $86,460.

Charitable Lead Trust

In the fiscal year ended 2017, the Museum received notice it is a beneficiary of a charitable lead trust. The Museum will receive a fixed amount initially for 12 years; in addition, the Museum will receive a share of the residual amount. The present value of the estimated value of the assets to be received by the Museum is based upon the Museum's historic rate of return estimated at 5% and the number of years remaining of the trust. The estimated value of the charitable lead trust at June 30, 2026, is $192,485.

Additionally, the Museum has been named as a charitable beneficiary in wills and other charitable trusts; however, the donors have retained the right to change charitable beneficiaries. These intentions have not been recorded as assets in these financial statements.

Note 5 – INTEREST IN PERPETUAL TRUSTS

The Museum is the permanent income beneficiary of the Georgiana Spalding Memorial Trust. The Museum does not have possession or control of the trust, which is held and administered by an outside agent. Wells Fargo Bank is the trustee. The market value of the underlying investments held in the trust has been used to estimate the value of the trust. The fair market value of the trust at June 30, 2026, was $972,892. The income received from the trust was $37,000 for the year ended June 30, 2026.

The Museum also is the permanent income beneficiary of the "Private Trust" (Santa Barbara Historical Trust Irrev TUA under Agreement). All income from the trust is paid monthly to the Museum, but no payments from the principal are allowed. Wells Fargo Bank is the trustee. The market value of the underlying investments held in the trust has been used to estimate the value of the trust. The fair market value of the trust at June 30, 2026, was $1,233,209. The income received from the trust was $22,479 for the year ended June 30, 2026.

In 2009, the Museum became the permanent income beneficiary of the Yvonne Dibblee Donohoe Fund ("Fund"). The Santa Barbara Foundation is the trustee. The trustee shall remit annually to the Museum 4% of the value of the Fund based upon a rolling average of the market value of the Fund for the previous twelve quarters.

Note 5 – INTEREST IN PERPETUAL TRUSTS (continued)

The donor restricted expenditures for acquiring objects for the Museum's permanent collection, with preference given to objects from the de la Guerra family. The fair market value of the trust at June 30, 2026, was $401,376. The income received from the trust was $0 for the year ended June 30, 2026.

Note 6 – PROPERTY AND EQUIPMENT

The Museum is progressing with the planned upgrades to its facilities to utilize modern means to preserve its collections. The current year projects consisted of HVAC repairs and upgrades to the art and archive storage in the Vault.

Property and equipment consist of the following at June 30, 2026:

Land – 118 East de la Guerra	$ 28,500
Buildings and improvements	3,183,120
HVAC System	3,090,224
Gallery fixtures	275,357
Gallery equipment	86,080
Office equipment	97,038
Vehicles	66,096
Furniture and fixtures	40,583
Storage containers	24,742
Software	17,392
Vault	1,454,094
Security system	95,016
Costume mannequins	14,770
	8,473,012
Less accumulated depreciation	(6,254,315)
Net property and equipment	$ 2,218,697

For the year ending June 30, 2026, the Museum recognized depreciation expense of $159,833.

Note 7 – HISTORIC LAND AND BUILDINGS

Historic land and buildings at June 30, 2026, was $119,197.

Note 8 – OPERATING LEASE

The museum building is located on land leased from the County of Santa Barbara for one dollar per year until 2061, at which time a new lease can be negotiated. Under the agreement, the Museum assumes all management and control of the premises and all related costs.

Note 9 – CONCENTRATION OF RISK

Investment Risk

The Museum derives a portion of its earnings from its investments. These investments are subject to the inherent risks of inflation, market fluctuation, volatility, bond credit risk and liquidity.

Geographical

The Museum's membership and donor base are largely drawn from Santa Barbara County. Visitors are both local and tourists. Rental income is subject to environmental influences. Approximately 67% of the Museum's event venue rental clients are from outside of Santa Barbara County.

Credit Risk

The Museum maintains cash balances insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor and per bank institution. At times throughout the year the Museum maintains balances in excess of the FDIC insured amount. As of June 30, 2026, the Museum had no uninsured cash balances.

Certain of the Museum's investments and cash and cash equivalents are held at a broker-dealer and are subject to Securities Investor Protection Corporation (SIPC). Under SIPC, cash and cash equivalents are insured up to $250,000 per broker-dealer. On occasion, the Museum's cash balances exceed the insured threshold temporarily.

Note 10 – FAIR VALUE MEASUREMENT

Certain assets and liabilities are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk.

Inputs may be observable or unobservable.

Observable (Level 1) inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable (Level 2) inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Museum can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable to the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market – corroborated inputs.

Note 10 – FAIR VALUE MEASUREMENT (continued)

> *Level 3* – Unobservable inputs for the assets or liabilities. In these situations, the Museum develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to an assessment of the quality, risk, or liquidity profile of the asset or liability. A significant portion of the Museum investment assets are classified within Level 1 as they are comprised of common stock, exchange traded funds and open- ended mutual funds, with readily determinable fair values based on daily redemption values.

The Museum's investment committee, in conjunction with the external investment advisors, monitors and analyzes the valuation of the investments on a quarterly basis. The investment committee reports to the Board of Trustees. The valuation considers variables such as financial performance of investments, recent sale prices of investments, and other pertinent information.

The following is a description of the general classification of investments pursuant to the valuation hierarchy:

> *Cash held for investment* – Cash held for investment purposes includes money market funds and cash equivalent assets, and is valued at face value.
>
> *Fixed income* – Corporate bonds and bond funds provide a hedge against deflation, provide a stable return, and to minimize the overall volatility of the account. They are valued utilizing quoted market prices available in active markets for identical investments at the reporting date or through the use of pricing models or other valuation methodologies for fixed income securities not actively traded.
>
> *Equities and alternatives* – Equities and alternatives include a variety of publicly traded stocks and mutual funds from various industries invested for both growth and value. They are valued utilizing quoted market prices available in active markets for identical investments at the reporting date.
>
> *Charitable Remainder, Lead and Perpetual Trusts* – The Museum is the irrevocable beneficiary of charitable remainder trusts held by a trustee. These resources are neither in the possession of, nor under the control of, the Museum. The beneficial interest in the trusts is reported at its fair value.

Fair value for the contribution receivables from the beneficial interest in perpetual trusts are measured using the fair value of the assets held in the trust as reported by the trustees as of June 30, 2025, less any estimated reserve. The Museum considers the measurement of its beneficial interest in the trusts to be a Level 3 measurement within the fair value hierarchy.

The Museum recognizes transfers between the levels in the fair value hierarchy at the end of the reporting period. There were no transfers between the levels during the year ended June 30, 2026.

Note 10 – FAIR VALUE MEASUREMENT (continued)

The following table presents assets recognized in the accompanying Statement of Financial Position measured at fair value on a recurring basis and the level in which the fair value measurements fall at June 30, 2026:

Description	Level 1	Level 2	Level 3	Total
Money Market	$ 283,433	$ -	$ -	$ 283,433
Mutual Funds	1,146,778	-	-	1,146,778
Exchange Traded Funds				
Equities	341,160			341,160
International	550,228	-	-	550,228
Common Stocks – Domestic	2,373,864	-	-	2,373,864
Real Estate	44,475	-	-	44,475
Total assets measured at fair value	4,739,938	-	-	4,739,938
Beneficial interest in Charitable trusts held by others	-	-	278,945	278,945
Perpetual trusts	-	-	2,607,477	2,607,477
Total beneficial interest	-	-	2,886,422	2,886,422
Total assets measured at fair value	$ 4,739,938	$ -	$ 2,886,422	$ 7,626,360

The following table provides a reconciliation of assets and liabilities measured at fair value using significant unobservable inputs (Level 3) for the year ended June 30, 2026:

Description	Beginning Balance	Additions	Distributions	Gain included in changes in net assets	Ending Balance
Charitable remainder trusts	$ 1,105,601	$ -	$ (886,724)	$ 60,068	$ 278,945
Interest in perpetual trusts	2,349,685	-	-	257,792	2,607,477
Total Assets	$ 3,455,286	$ -	$ (886,724)	$ 317,860	$ 2,886,422

There were no significant transfers between Level 3 and Levels 1 and 2 during fiscal year ended June 30, 2026. As explained more fully in Note 5, the Museum is entitled to the income stream from the investment in perpetual trusts.

Note 11 – ENDOWMENT

The Museum's endowment (the Endowment) consists of funds established by donors to provide annual funding for specific activities and general operations and includes beneficial interests in perpetual trusts. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Trustees.

Note 11 – ENDOWMENT (continued)

Interpretation of Relevant Law

The Board of the Museum has interpreted the California adopted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Museum retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor- restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by UPMIFA. However, the beneficial interests in perpetual trusts are not legally subject to the UPMIFA, because the Board does not have the ability to control the investments and spending policy of these trusts. In accordance with UPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Museum and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Museum
(7) The investment policies of the Museum.

Investment Return Objectives, Risk Parameters and Strategies

The Museum has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding for expansion and for programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk.

Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions, while growing the funds if possible. Therefore, the Museum expects its endowment assets, over time, to produce an average rate of return of the draw plus inflation annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Note 11 – ENDOWMENT (continued)

Spending Policy

Except for planned capital expenditures, the Museum has a policy of appropriating for distribution each year 5% of its endowment fund's fair value as per its policy described in Note 2. In establishing this policy, the Museum considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, some of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation.

On an annual basis, the Board determines an appropriate amount to be transferred from board designated funds to support operations. In determining the appropriate transfer, the board considers any deficit incurred by the Museum to run its various programs. The Board approves any draw exceeding the 5% budgeted amount. Should unrestricted donations exceed budget, the Museum will not utilize its budgeted draw in order to further the growth of the endowment fund.

The Museum expects the current spending policy to allow its endowment funds to grow at a rate equal to or exceeding estimated inflation annually. This is consistent with the Museum's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

The Board Designated Endowment consists of funds not available for operations or withdrawal except by board approval. The endowments include funds not managed by the Museum.

Endowment Net Asset Composition

Endowment net assets by type of fund consist of the following as of June 30, 2026:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment	$ 3,838,210	$ -	$ 3,838,210
Donor restricted endowment funds	-	3,296,062	3,296,062
Total	$ 3,838,210	$ 3,296,062	$ 7,134,272

Changes in endowment net assets for the year ended June 30, 2026, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	$ 2,436,742	$ 3,038,270	$ 5,475,012
Investment income	664,244	-	664,244
Net change in trust assets	-	257,792	257,792
Contributions	983,724	-	983,724
Amounts appropriated for expenditures	(246,500)	-	(246,500)
Endowment net assets, end of year	$ 3,838,210	$ 3,296,062	$ 7,134,272

Note 12 – NET ASSETS

Net Assets Without Donor Restrictions

Included in net assets without donor restrictions are net assets designated by the board as of June 30, 2026:

Income designated for general operations	$ 3,838,210
Capital projects	62,597
Total Net Assets Without Donor Restrictions	$ 3,900,807

Net Assets With Donor Restrictions

As of June 30, 2026, net assets with donor restrictions, consist of the following:

Subject to expenditure for specified purpose:	
Curatorial funds	$ 298,691
Textile conservation and education	2,661
Exhibits and upgrades	27,659
Educational programs	2,020
Charitable remainder and lead trusts	278,945
	609,976
Not subject to appropriation or expenditure, the income from which is expendable to support:	
Education and outreach	128,033
Endowment for library	25,000
Endowment for collections	300,000
General operations	235,552
General operations – held in trust	2,607,477
	3,296,062
Total Net Assets With Donor Restrictions	$ 3,906,038

Note 13 – LIQUIDITY AND AVAILABILITY

As a part of its liquidity management, the Museum structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

Financial assets and resources available for general expenditure, that is, without donor restrictions limiting their use, within one year of the date of the statement of financial position comprise the following:

Cash and cash equivalents	$ 88,720
Other receivables	22,750
Total Current Assets	111,470
Investments	4,739,938
Less assets not available within one year	(953,651)
Total Investments	3,786,287
Current liabilities	(234,136)
Financial assets available to meet cash needs for general expenditures within one year as of June 30, 2026	$ 3,663,621

The Museum operates within a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. In addition, the Museum holds funds without donor restrictions designated by the Board of approximately $3,900,000. Although the Museum does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from the quasi-endowment can be made available if needed upon approval by the Board of Trustees.

For capital improvements or purchased collections, the Museum will generally undertake specific campaigns to generate the resources needed for such expenditures.